

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION BY THE PUBLIC)
SERVICE COMMISSION OF THE)
APPLICATION OF THE FUEL)
ADJUSTMENT CLAUSE OF AMERICAN) CASE NO. 98-562-C
ELECTRIC POWER COMPANY FROM)
NOVEMBER 1, 1999 TO APRIL 30, 2000)

O R D E R

Pursuant to Commission Regulation 807 KAR 5:056, the Commission on June 21, 2000 established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of American Electric Power Company ("AEP") for the six months ended April 30, 2000.

As part of this review, AEP, pursuant to Commission Order, submitted certain information concerning its compliance with Commission Regulation 807 KAR 5:056. A public hearing was held on September 7, 2000.

The Commission has previously established AEP's base fuel cost of 11.45 mills per Kwh¹ and reviewed the base fuel cost in Case No. 98-562,² but determined that no further change was required. A review of AEP's monthly fuel clause filings shows that the actual fuel cost incurred for the six-month period under review ranged from a low of

¹ Case No. 94-460, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of Kentucky Power Company from November 1, 1992 to October 31, 1994, Order dated April 5, 1995.

² Case No. 98-562, An Examination by the Public Service Commission of the Application of the Fuel Adjustment Clause of American Electric Power Company from November 1, 1996 to October 31, 1998, Order dated March 22, 1999.

10.58 mills in March 2000 to a high of 15.92 mills in April 2000, with a six-month average of 11.93 mills.

The Commission notes that, following the end of the period under review, AEP changed its method for calculating intersystem lines losses. Prior to January 1, 2000, AEP calculated the line loss factor for each intersystem sales transaction using load flow analyses. This factor would vary depending upon the destination of the sale, line loadings, and generation output of on-line generation resources. On January 1, 2000, AEP implemented an across-the-board 3.3 percent line loss factor for all sales that occur in the AEP System's East Zone. This factor is consistent with the line loss factor contained in AEP's Open Access Transmission Tariff.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds no evidence of improper calculation or application of AEP's FAC charge or improper fuel procurement practices.

IT IS THEREFORE ORDERED that the charges and credits billed by AEP through its FAC for the period November 1, 1999 to April 30, 2000 are approved.

Done at Frankfort, Kentucky, this 30th day of October, 2000.

By the Commission

ATTEST:

W. H. Fowler
Deputy Executive Director